



US Vital Statistics

March 2010 - *seeing through the minutiae of economic data*

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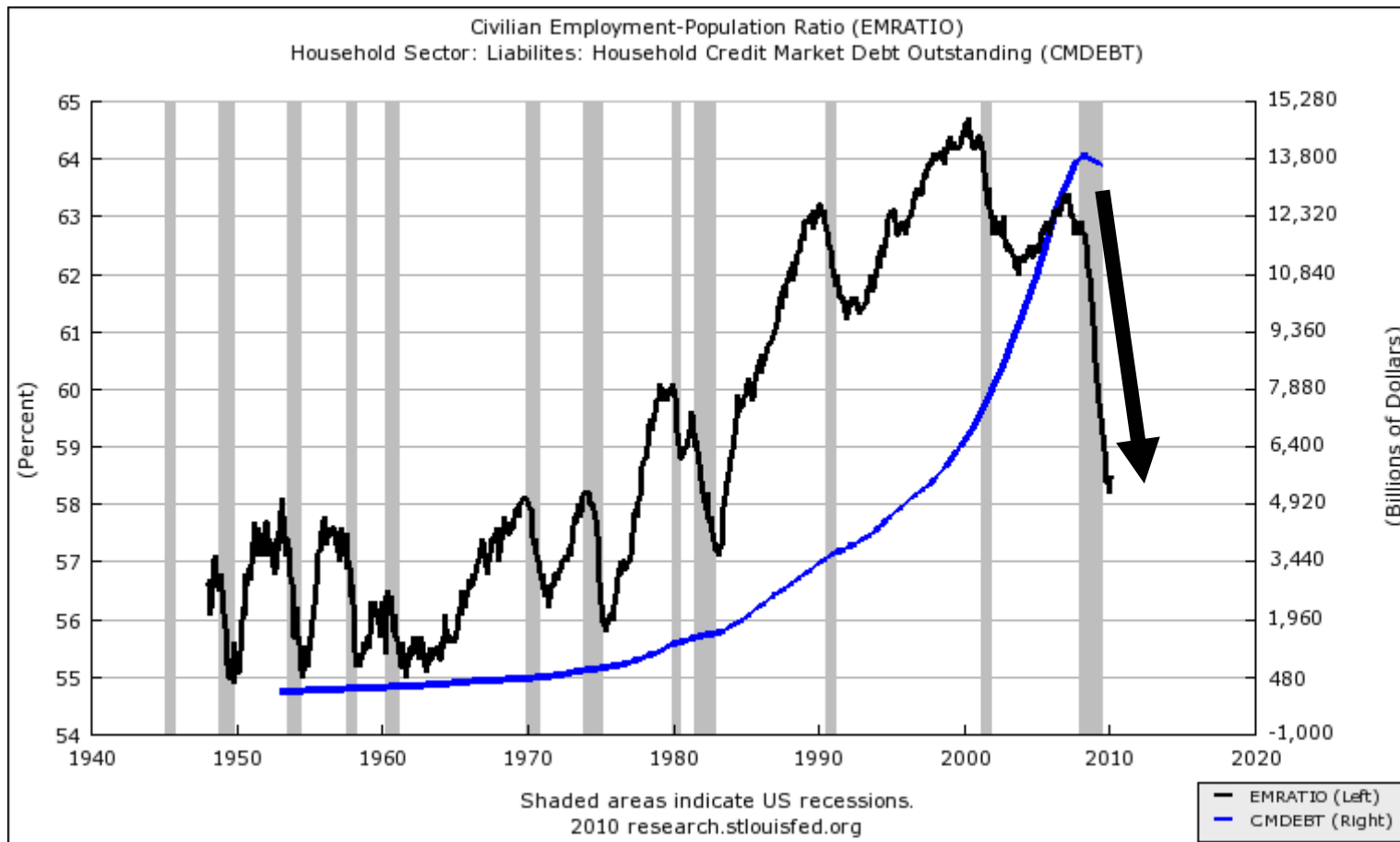
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The employed carry a heavy burden

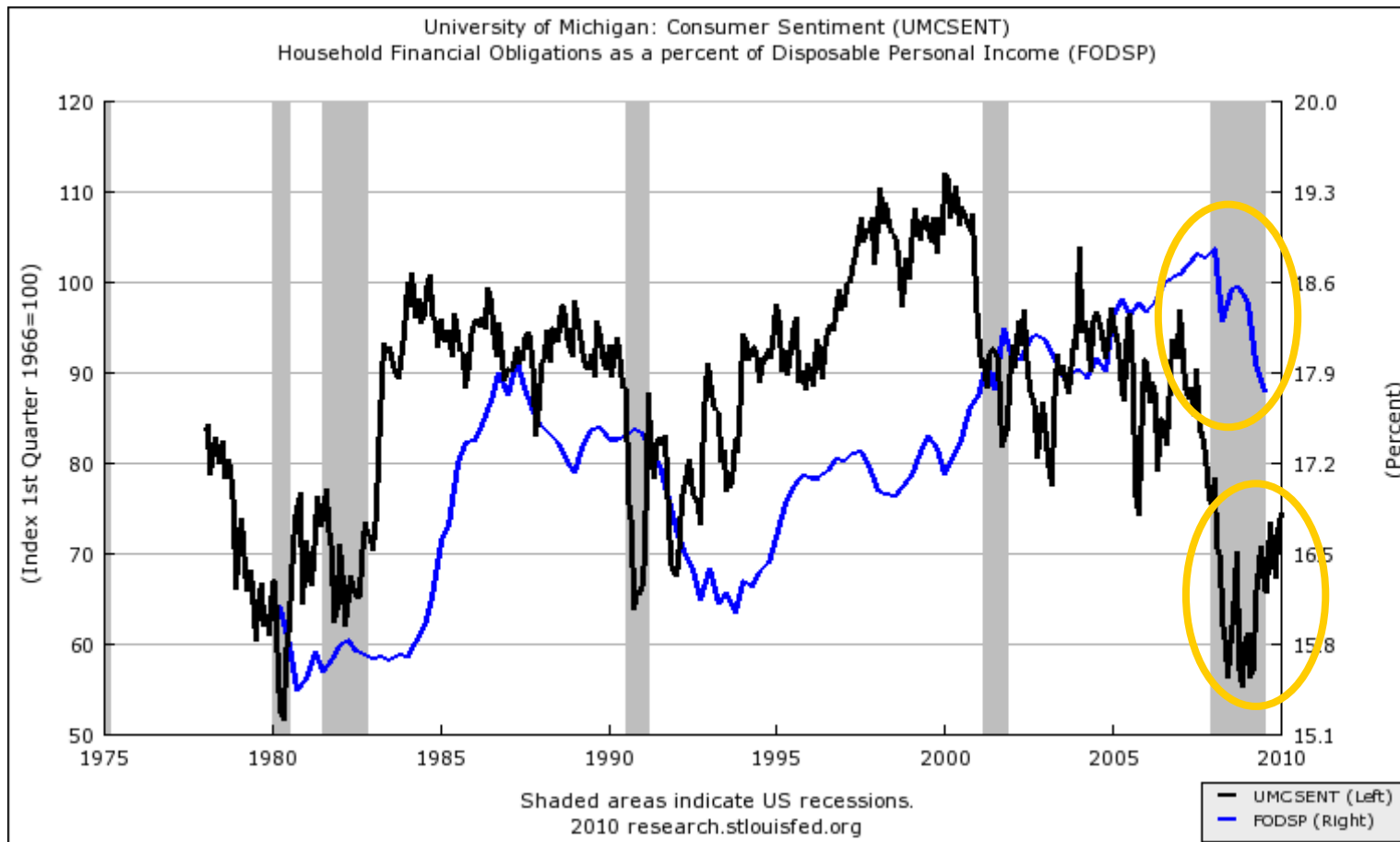
- employment-population ratio has fallen dramatically -



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...yet mood and obligations improve

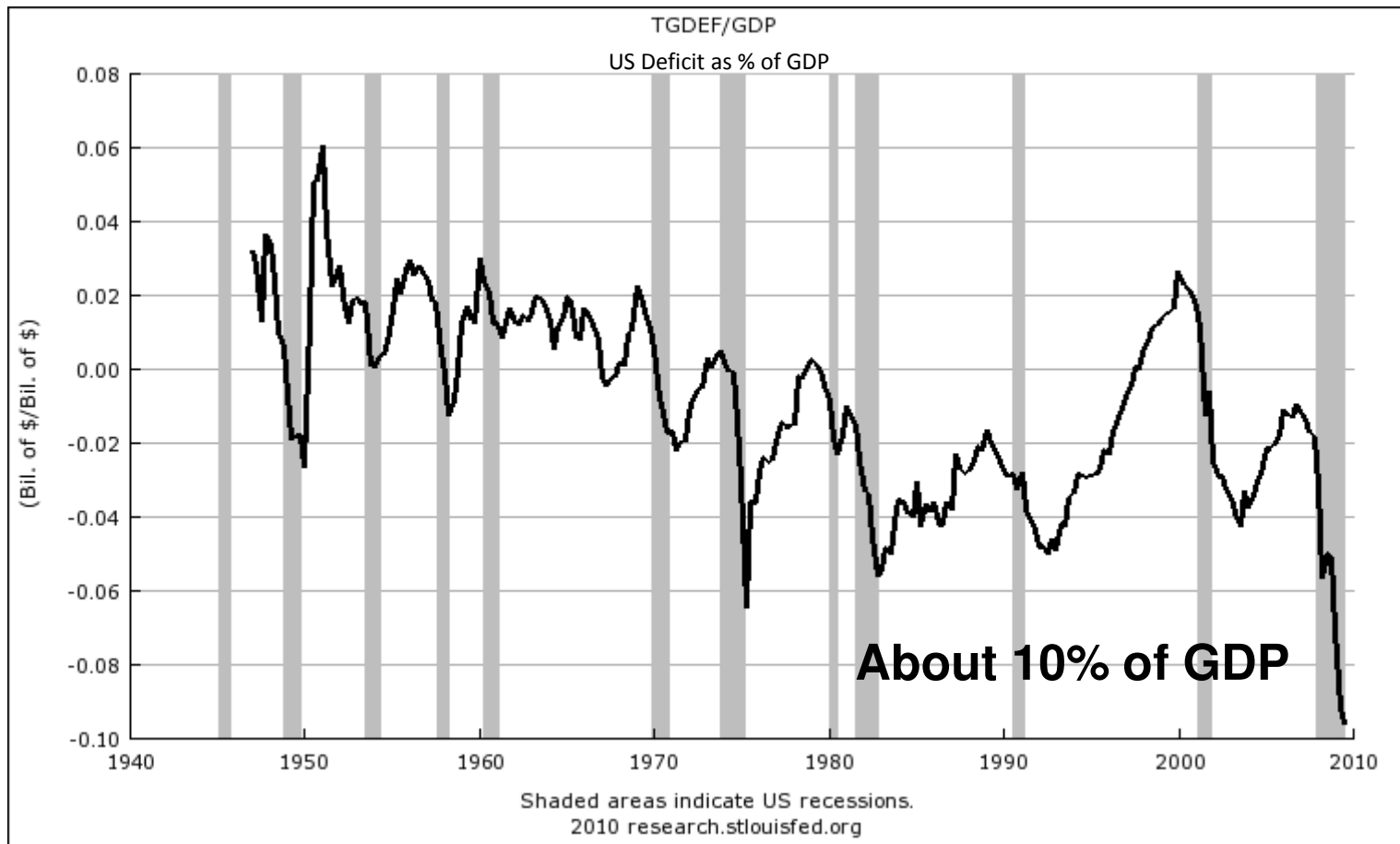
- sentiment and financial burden improved, but still decidedly negative -



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US Treasury = spender of last resort

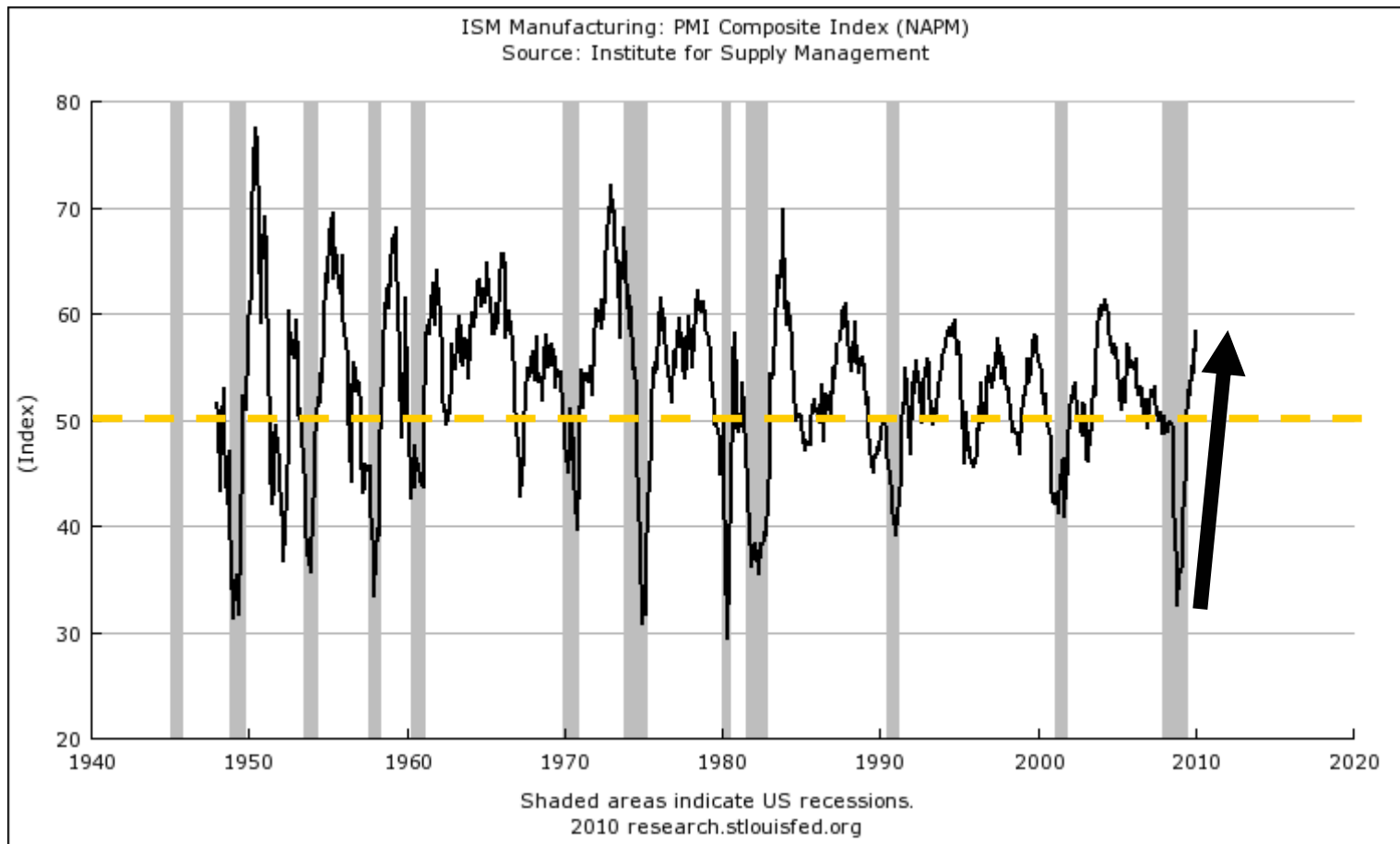
- record deficits-to-GDP replacing lost private sector demand -



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...driving positive manufacturing rebound

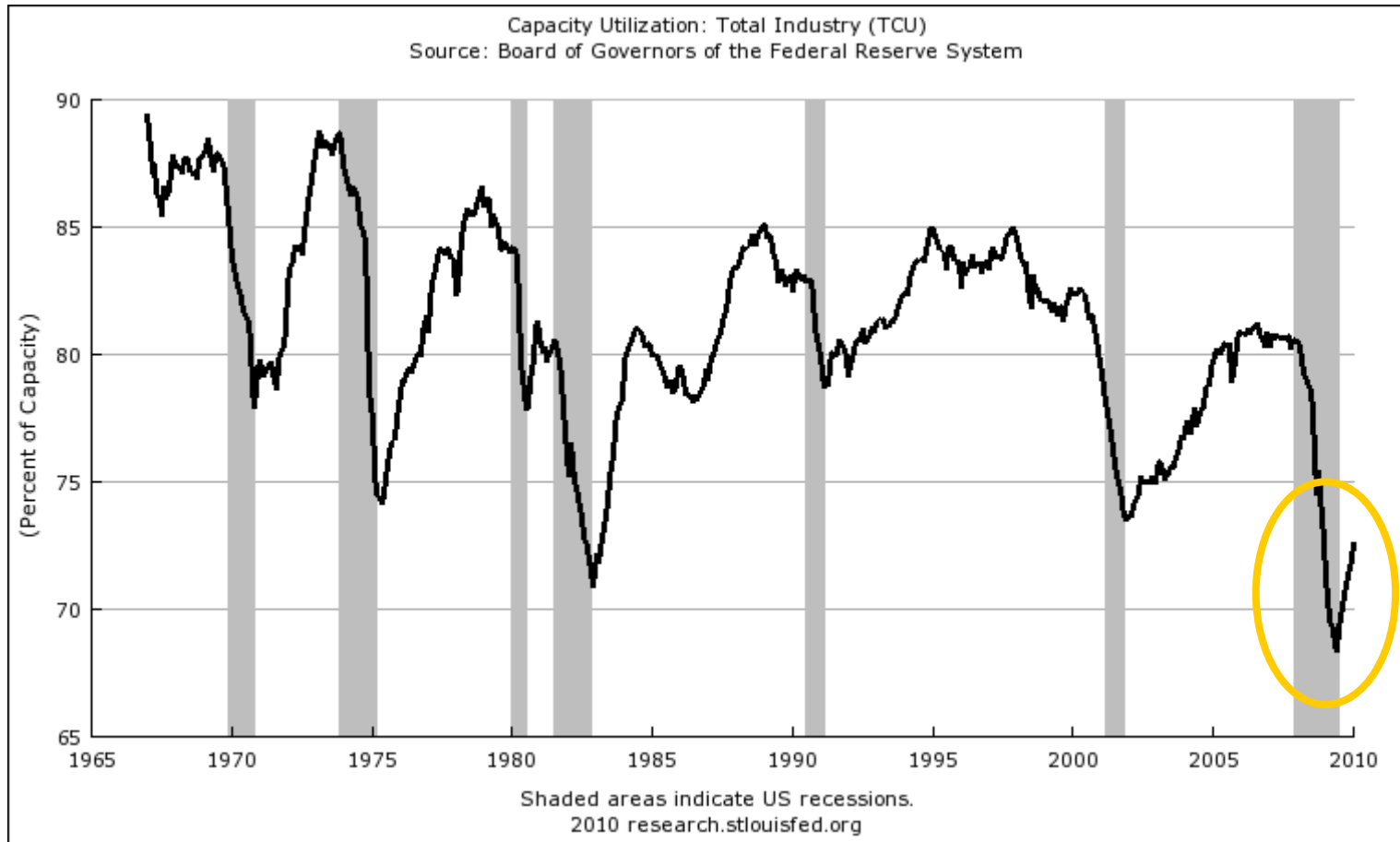
- inventory re-stocking is creating positive manufacturing growth -



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...eroding some excess capacity

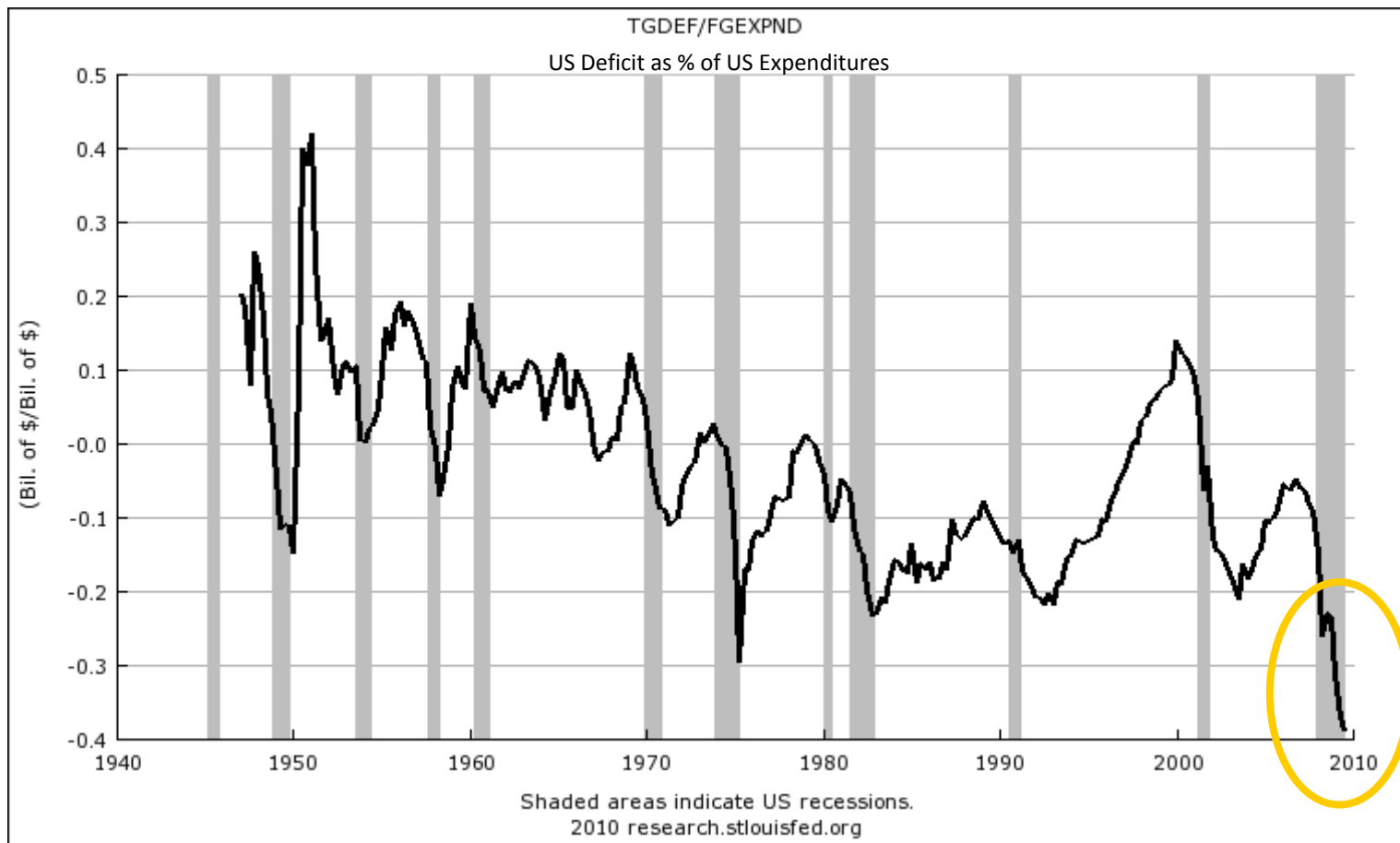
- lots of capacity still exists, but eventually pricing power could re-emerge -



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...but spending is dependant on borrowing

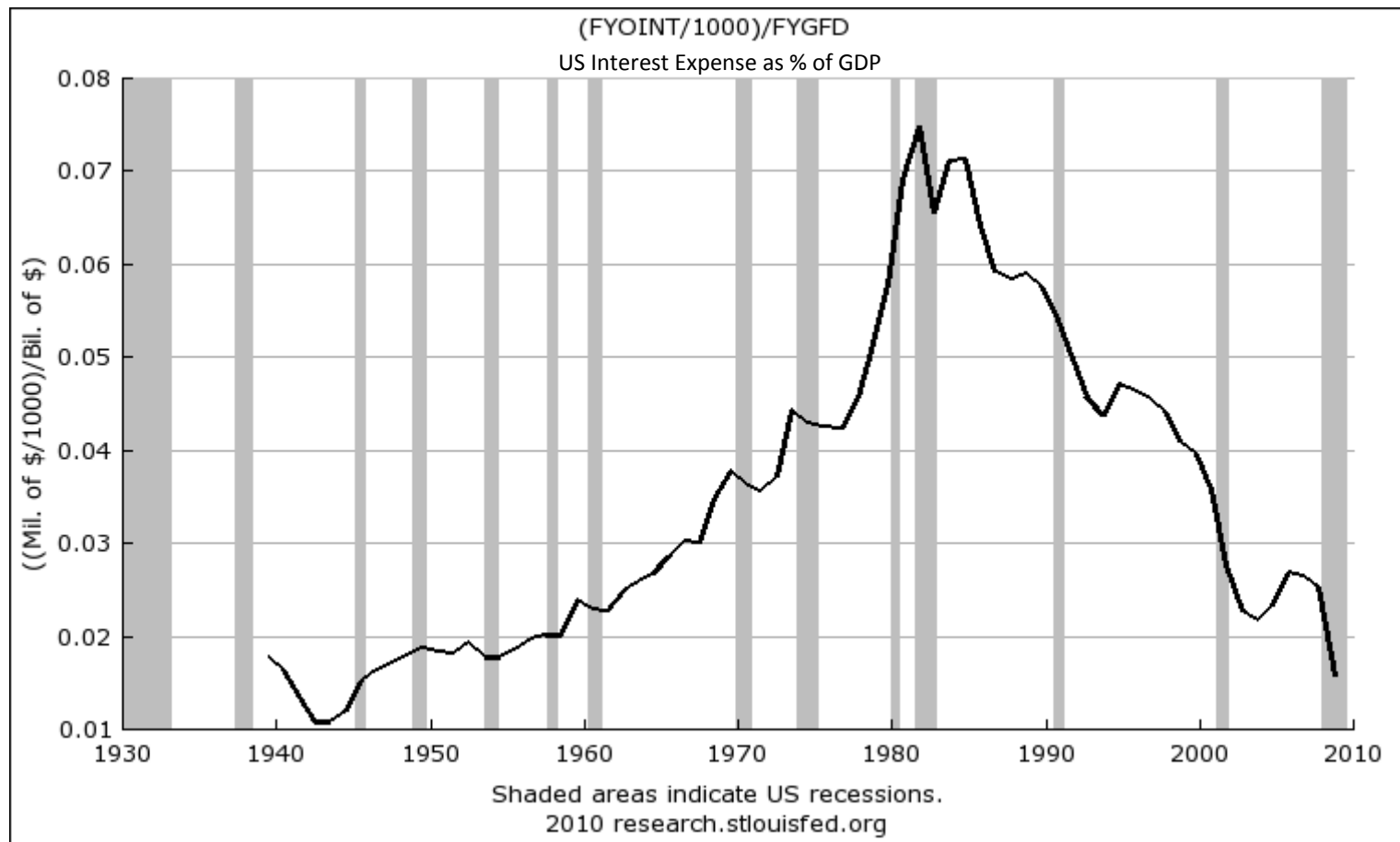
- US government borrows \$0.40 for every \$1.00 spent -



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...cost of borrowing is sustainable for now

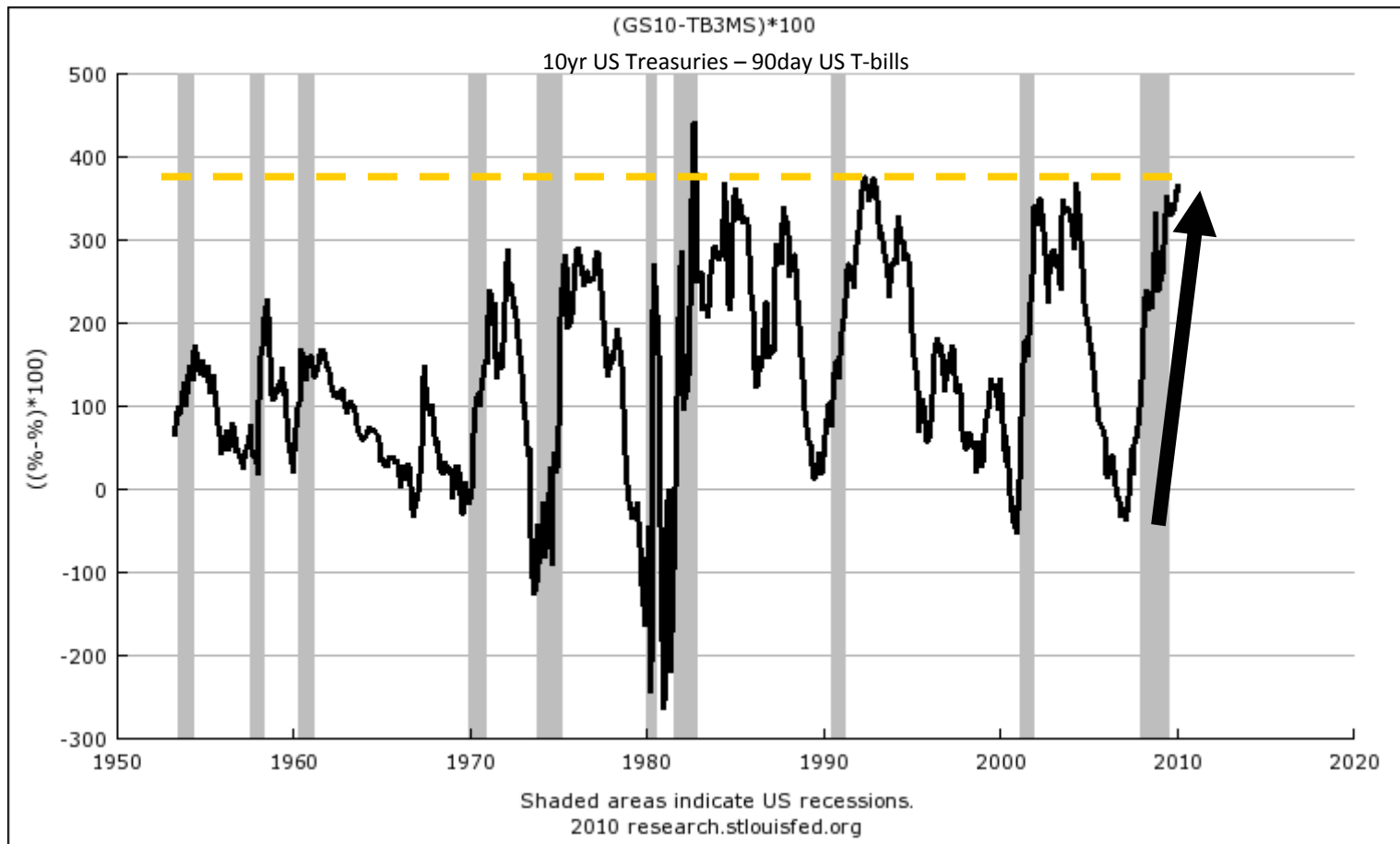
- low interest rates keep interest burden low; rising rates would be trouble -



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Treasury spreads near record highs

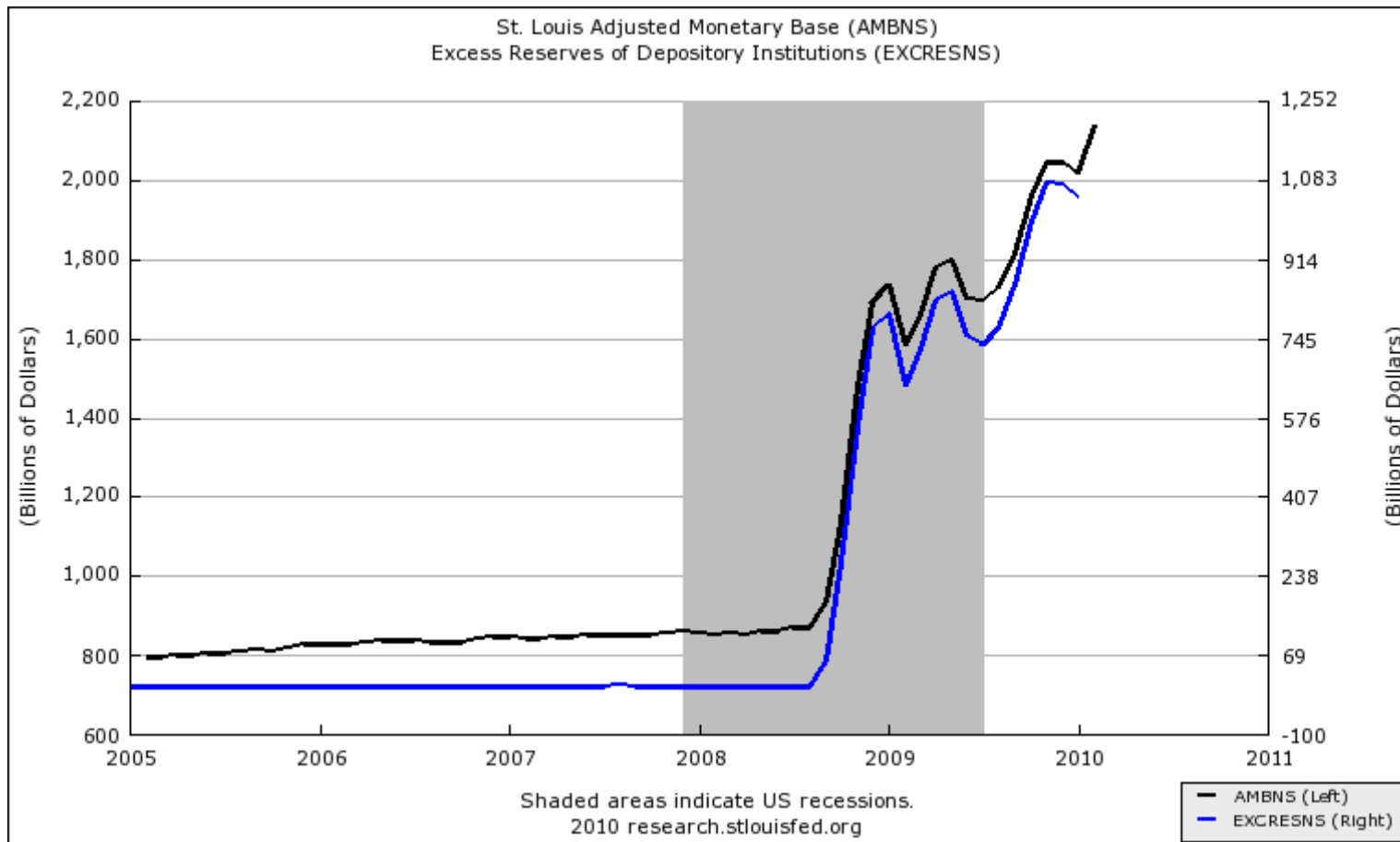
- compensation for higher inflation, greater risk or both? -



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Huge liquidity could increase prices & rates

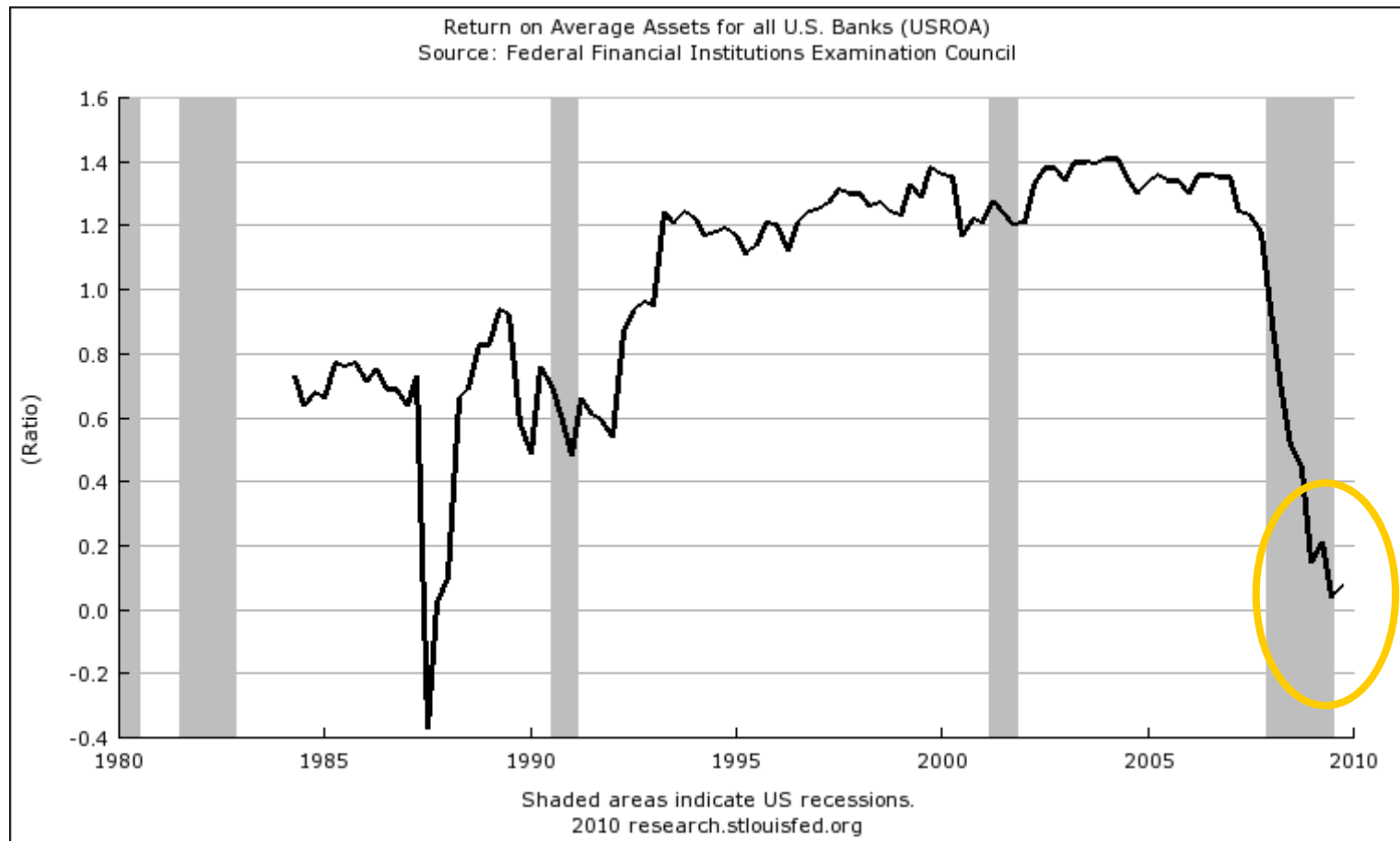
- so far, price pressures mitigated by reserves growth (i.e. liquidity trap) -



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...liquidity will remain trapped for now

- low ROA means banks restrict lending and keep reserves high -



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Bottom Line: the US economy is improving, largely because of government spending and inventory re-stocking. However, the twin burden of unemployment and debt remains high and is growing.

The US is borrowing against its future to fund today's expenditures, and the economy grows increasingly sensitive to a rise in borrowing costs.

Upward pressure on borrowing costs could originate from weak demand for US Treasuries or the inflationary release of trapped liquidity. Whether this occurs next month, next year or never depends on many unpredictable exogenous variables.

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